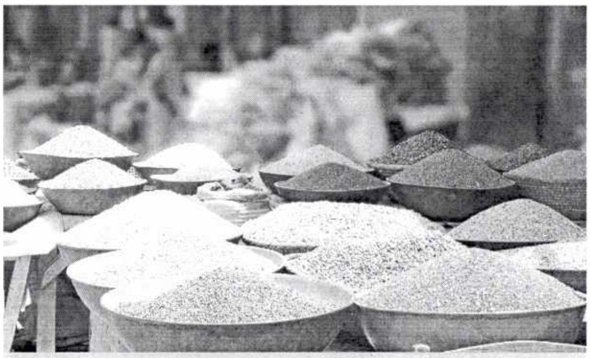
# Pulses support price set lower than market price

## Half hearted state intervention unlikely to stabilize prices

The support prices for pulses recently announced by the government are lower than what brokers (arrhtee) paid most of the farmers during last harvesting season of these crops. TheNetwork for Consumer Protection came to know this during a survey visit to the major pulse producing districts of Bhakkar and Narowal. (Almost half of the country's gram production and one third of *moong* comes from Bhakkar while Narowal produces one third of *maash* and a quarter of *masoor*.)



Pulses are displayed in front of a shop for sale at the Bhakkar Grains Market.

The support price is also called intervention price. It is considered as a government measure to stop brokers from manipulating market factors in their favor and forcing the farmers to sell their produce at unfairly low prices. Low prices discourage farmers resulting in reduced supply in coming season that in turn hikes consumer prices. But the present government has perhaps redefined the concept of support price as its 'intervention' price is lower than the open market prices. This makes the government's announced intention of stabilizing pulse prices a hoax. The belated and ill-conceived move is likely to be futile if not a factor further complicating and aggravating the crisis.

The support prices set by the Economic Coordination Committee per 40 kg are Rs 750 for gram (chana), Rs 1,200 for moong and Rs 1,300 for maash. The government did not bother to set support price for masoor (lentils), the production of which is more than maash and this is one of the four most important pulses.

In the last production season the price for gram was one thousand rupees per 40 kg that later exceeded to twelve hundred rupees. In sharp contrast to this the government has now fixed its support price at Rs 750. Records and interviews with pulse farmers and dealers show that moong was sold at upto two thousands rupees per 40 kg yet the intervening price by the government has been fixed at twelve hundred rupees. Similarly thirteen hundred rupees is the interventional price per 40 kg for maash which was sold at sixteen hundred rupees in the last season.

**All prices in Rs per 40 kg**

| Pulse | Government fixed Support Price | Market prices (offered by brokers to farmers) Current Season |
|---|---|---|
| Chana | 750 | 1000 |
| Moong | 1200 | 2000 |
| Maash | 1300 | 1600 |
| Masoor | None | 1600 |



**TheNetwork for Consumer Protection**
40-A Ramzan Plaza, G-9/Markaz, Islamabad
Ph: 051 226 1085, Fx: 051 226 2495; www.thenetwork.org.pk

The difference ridicules the government's stated purpose of making the pulses an attractive crop for farmers, increasing supply and stabilizing prices. The government in fact is attempting to push the farm gate prices further down. Farmers have already low interest in growing these crops. The government decision will make them abandon these altogether making us more and more dependent on import of these grains.

The support price is also way less than the open market retail prices and Utility Store prices of these grains. Support prices for wheat is 82 percent of the consumer price for wheat flour. The support prices are 50 to 60 percent of the Utility Store prices of all three pulses. For example the announced support price for Maash is Rs 32.50 per kg while its Utility Store price is Rs 58 per kg. This leaves a huge margin of Rs 25.50 per kg for the dealers of the grain to pocket. The support price here seems to be more in support of traders than that of producers.

It is worth mentioning here that pulses are not processed through any sophisticated industrial procedures at great costs. These are simply transported from farmers to whole sale markets with a brief stop over at splitting factories that charge Rs 1.40 per kg for converting whole grains into splits.

**All prices in Rs per kg**

| Pulse | Farmers' price | Consumer Price | | Farmer price as percentage of consumer price (%) |
|---|---|---|---|---|
| | (support price) | Utility Store | Open Market | Current Season |
| Chana | 18.75 | 31 | 36-40 | 49 |
| Moong | 30.00 | 53 | 55-60 | 52 |
| Maash | 32.50 | 58 | 78-80 | 41 |
| Masoor | None | 30 | 40-45 | None |
| Wheat | 10.375 | 11.25 | 12.65 | 82 |

# Pulse production: fluctuating fortunes

## Nature and market torment choice less pulse farmers

Pulse production is a risky business of fluctuating fortunes. The production quantity and market prices both are able to take giant leaps upward and downwards. Some of the factors causing these changes are natural but most are 'man-made'. Local farmers are loosing interest in these traditional crops and production is increasingly falling behind the demand.

A farmer shows ripped seeds of moong at a field of moong crops in a village near Khansar in the upper Punjab.

Gram is a rain-dependent crop. Thal is the capital of chana with three fourth of the country's production coming from the sandy lands of Bhakkar and Khushab districts alone. In 1997-98 Pakistan produced 767,000 metric tons of chana but five years later the production dropped to almost half that level (that is 362,000 metric tons). Timely and just enough rains are crucial in determining the per acre produce.

Just as the production wavers, the market price of gram also varies sharply. When the crop is bumper, the farm gate price of gram can be as low as Rs 12 per kg and in periods of scarcity the price can jump to even Rs 30.

The farmers of sandy lands of Thal have little choice besides growing grams. The land and the rainfall is not suitable for any other crop of considerable economic value. The farmers of *maash* and *masoor* however have a host of choices and most of them are less risky than these pulses. The maash farmers of Narowal are switching to other crops like rice and vegetables. Pakistan produced 40 thousand tons of maash in 1989-90. The production since then has slid down and now stands at 24.6 thousand metric tons (2003-04).

Unlike maash, moong has become the farmers' favorite crop. 73.9 percent of the country's

Piles of grams (chana) are heaped-up at a godown in Mankera, the principal town of Bhakkar district.

moong was produced in three Thal districts of Bhakkar, Mianwali and Layyah in 2002-03. The farmers grow wheat in November-April season and utilize their land for next six months for this crop. The production of this crop has been continuously rising over last two decades. From 41 thousand metric tons in 1988-89, it grew to 140.7 tons in 2003-04. The market price however varies greatly at harvesting time and in off season. These days brokers in Mankera grain market, district Bhakkar, are willing to pay even Rs 49 per kg as the crop is not yet ready for harvest. The price will dip sharply when the farmers will start arriving in the market with tractor trailers loaded with sacks full of moong. It may go down to Rs 20 per kg.

## Price control through Passco: setting a thief to catch a thief?

Support price set by the government is a kind of guarantee that the commodity will not be bought from the farmers at a lower price than this. This is supposed to assure farmers of a certain rate of return and hence encourage them to help either improve supply or sustain it. Support price by definition is the minimum market price of a commodity.

The government implements its Support price decisions through PASSCO (Pakistan Agricultural Storage and Supplies Corporation). Passco through its large nation wide network purchases the commodities, theoretically directly from the farmers at the Support price. This is supposed to discourage privately operating brokers to offer farmers a price either equivalent to or greater than the Support price.

But in practice the system is full of flaws and follies.

- The Support price instead of becoming the minimum price becomes *the price* if not the maximum price for the commodity. Passco is bureaucratic in its operation and farmers, specially small farmers, find it difficult to deal with them. Private brokers offer farmers an easy and quick 'one-window' cash for commodity facility and they use Support price as bench mark and 'deduct commission' for helping the farmers avoid the Passco bureaucracy. This results in an open market price lower than the Support price. It can at best be just equal to the Support price. Wheat purchase by Passco offers a classical example. There is no evidence suggesting that private market has ever offered a price higher than the support price.

- Passco is also fraught with corruption. It discourages farmers from directly approaching the institute by unnecessarily raising quality objections. It can tell them that the produce has mud or hey mixed in it or is infected with fungus. The refusal at the Passco store gate spells doom for the farmer who has already paid the transport charges. Passco however secretly 'employs' an army of middlemen who 'help' farmers pass through all the formalities and sell the same poor quality produce to Passco by taking a cut. In most cases the farmers do not take home the stipulated Support price even after selling their produce to Passco.

- Despite all operational problems, Support prices are helpful for the crops that have somewhat stable levels of production. Per acre produce of rain dependent crops like gram varies greatly. It can double or halve the previous years' level. Its farm gate price also varies accordingly. A fixed support price if at all could favor the farmers in surplus season, it will be a bane for them in the next scarce season.

## Some facts

- Every Pakistani consumes six kilograms of pulses in a year.
- The annual consumption of masoor is 55,000 metric tonnes while the production of masoor in 2004-05 was 26,000 tons.
- The average usage of maash is 50,000 tonnes where the production was 20,000 tonnes in the year 2004-05.
- 700,000 tonnes of grams is consumed every year in the country. In 2004-05 eight hundred thousand tonnes of grams were produced which dropped to five hundred thirty seven thousand tonnes in the year 2005-06 due to lack of rainfalls.
- One hundred twenty five thousand metric tonnes of moong is required annually while the produce in 2004-05 was one hundred thirty thousand tonnes.
- The trend of pulses production shows that other than a particular year the production of gram and moong are always more than the country's need and are exported to other countries.
- But the production of maash and masoor are declining year by year and their imports are increasing.

For more information please contact
Rasheed Chaudhry
Media Coordinator
TheNetwork for Consumer Protection in Pakistan
Mobile: 0321 501 7355

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